

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2240 – SB 2344

April 1, 2016

SUMMARY OF ORIGINAL BILL: Increases the fine for which the Alcoholic Beverage Commission (ABC) is authorized to levy against any permittee authorized to sell alcohol on its premises for any violation from an amount not to exceed \$1,500 to an amount ranging between \$1,500 and \$10,000. Authorizes a fine up to \$10,000 to be levied against any licensee found to have sold alcoholic beverages to any person under 21 years of age two or more times during any two-year period. Requires retraining of all employees of any such licensee under the supervision of ABC in lieu of suspending or revoking such license.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – Exceeds \$52,500

SUMMARY OF AMENDMENT (014276): Deletes and rewrites the bill to clarify that the increased fine not to exceed \$10,000 is only authorized to be levied on licensees who are found to have sold alcoholic beverages to any person under 21 years of age two or more times during any two-year period. Adds language prohibiting imposition of a fine against a wholesaler unless the Alcohol Beverage Commission (ABC) has provided written notice to the wholesaler regarding a seller's permit being revoked, suspended, or not renewed. Adds language requiring the Commissioner of the Department of Revenue to provide written notice to a wholesaler advising that tax has not been paid by a supplier, prior to issuing a fine.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Based on information provided by ABC, there are approximately 140 suspensions of licenses to sell alcoholic beverage for on-premises consumption annually. This number is assumed to remain constant under current law.
- ABC confirms these suspensions are for sales to minors.
- It is reasonably assumed that the average fine amount will increase by at least \$500.

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- All permittees licensed to sell alcohol on premises are expected to comply with the requirement to pay a fine and retrain employees in order to continue eligibility to sell alcohol beverages on the premises.
- Given the minimum estimated fine increase of \$500, and the potential for a much more significant fine, it is anticipated that the number of suspensions will decrease by approximately 25 percent, or by 35 suspensions ($140 \times 25.0\%$); thus, the number of suspensions following passage of the bill is estimated to be 105 per year ($140 - 35$).
- All fine revenue will be deposited to the state General Fund.
- A recurring increase in state revenue to the General Fund estimated to exceed \$52,500 ($\500 minimum increase \times 105 fines).
- According to ABC, authorizing ABC to require training under supervision of an ABC employee in lieu of suspending or revoking a license will result in a not significant decrease in expenditures related to processing license suspensions and revocations.
- Any increase in state expenditures for the Department of Revenue to notify wholesalers of unpaid taxes by suppliers will be not significant.
- No impact on licensing or license fee revenue.
- Any change to state and local tax revenue is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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